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 U.S. DEPARTMENT OF COMMERCE
 BUREAU OF INTERNATIONAL COMMERCE
 WASHINGTON, D.C. 20230

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Mr. Joseph A. Greenwald
 Deputy Assistant Secretary
 for International Trade Policy
 Department of State
 Washington, D. C. 20520

Dear Mr. Greenwald:

Assistant Secretary McQuade has been told about the effort State is making to establish a China Differential in COCOM. Because Commerce customarily provides State with technical evaluations and policy advice in such matters through the EDAC structure and also has the responsibility for administering the Export Control Act, which is directly affected by changes in COCOM controls, we are deeply interested in this effort.

We understand that State's current discussions of the China Differential with our COCOM partners are on what might be called an "in principle" basis. Because of our interest and since there has not yet been an EDAC meeting to consider the relevant policy and program objectives, we would appreciate State's views on the nature and dimension of the desired China Differential and its value to the United States in terms of the negotiating price that we could be asked to pay for it.

We believe that all of the EDAC members should have a clear understanding of the foreseeable gains and losses in this effort before the current discussions with our COCOM partners go much farther. Our view is that if expanded controls on certain types of free world exports to China can retard significantly its progress in developing nuclear weapons and associated delivery systems, we should try to get them imposed. In principle, of course, such added controls ought to be agreed to in COCOM on their merits, without any reduction of COCOM controls to Eastern Europe inasmuch as the latter controls are needed for U. S. and free world security. We have the impression, however, that some of our COCOM partners may, for their domestic and other reasons, feel that relaxation of COCOM controls to Eastern Europe is a necessary condition to their agreement to any China Differential. How much relaxation each COCOM country may insist upon, and how much the collective demands of the 14 countries may total, is, of course, not yet clear. The basic questions now, and

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perhaps at all stages of this effort, thus boil down to (1) how much reduction of controls to Eastern Europe would have to be accepted to obtain how much increased and tightened controls to China; and (2) whether the result would be a net gain or loss to U. S. and free world security.

We would, moreover, not wish to see the United States tender to our COCOM friends a substantial list of items for reduction of COCOM controls to Eastern Europe, in exchange for a proffered substantial additional list of items for control to China, on such terms that we could not recede from the first even if our COCOM partners were unable to accept anything but a small portion of the second. And, we would not like to see the current discussions with our COCOM partners give them understandings about what we expect to get and give that are so crystallized in nature as to preclude our having second thoughts, if we should later conclude that we would have to give up too much to get too little.

Of course, we will all be able to weigh these hypothetical gains and losses more definitively after our staff, working with your staff and with specialists in DOD, CIA, and AEC, complete the process of identifying items that should be brought under COCOM controls to China and ranking them to the extent possible as to their significance to China's nuclear weapons and missile programs. We also are reviewing the items presently on the International Lists and attempting to evaluate items of lesser importance as to their relative contribution toward achieving our security objectives vis-a-vis Eastern Europe.

When these related exercises are completed, EDAC should be in a better position to focus on the difficult issue of what the China Differential ought to consist of and what the United States might be prepared to give up to achieve it. In the meantime, however, we would appreciate having State's views, preliminary though they may be, on the issues presented above.

Sincerely yours,

Lawrence A. Fox
Lawrence A. Fox
Director

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